

SCL Strategic Plan: CHECKLIST OF ISSUES FOR REVIEW PANEL POSSIBLE CONSIDERATION

#	Issue	Rate Impact / <i>Project cost</i>	Panel Comment 1. Is this something the Panel wants to weigh in on? 2. Is there consensus? What is it? Or... 3. Do we need more info? What info?	Include in : Interim Report or Final Report?
Part A	High Level / Overview Considerations			
1	Role of the Panel a. In plan development b. After the plan is adopted by Council: the Panel will track... i. Accountability of utility in delivering rates, improvements ii. Performance measurements			
2	Panel Process: a. Panel's work to review and comment on Plan development, inputs, outreach b. SCL's work with Panel in developing the draft plan, responding to questions, engaging in outreach c. Public Input to date... key themes heard, importance of, etc. d. Articulate role RP played in plan development – where did RP provide specific input.			
3	Next steps a. SCL completes draft plan. b. Preliminary Panel comments on plan (TBD) c. Second round of public outreach on draft plan. d. SCL prepares final plan e. Panel prepares report with			

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	<p>comments/recommendations on final plan</p> <p>f. SCL sends plan to Mayor with Panel report; Mayor sends to Council.</p> <p>g. Council adopts Plan (may change).</p>			
4	<p>Environmental Scan</p> <p>How would we characterize the condition/situation that the utility is in today?</p> <p>Key trade-offs in the next 6 years?</p>			
5	<p>4 Core Theme areas –policy drivers?</p> <p>The core themes were settled on after the initial outreach.</p>			
5a	<ul style="list-style-type: none"> • Improve Customer Experience & rate predictability 			
5b	<ul style="list-style-type: none"> • High performance workforce/safety 			
5c	<ul style="list-style-type: none"> • High performance Organization 			
5d	<ul style="list-style-type: none"> • Continue leadership in Conservation and environmental stewardship 			
Part B	Specific Substantive Issues			
4	<p>BASELINE</p> <ul style="list-style-type: none"> • Is it a credible presentation of likely ongoing costs of status quo operations? Has the Utility been diligent in developing a sound forecast using realistic assumptions for inflation and other factors? 	4.1%/year avg. rate increase		

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	Initial baseline revised, rate impact the same			
4.a	Baseline drivers by category: <ul style="list-style-type: none"> • Debt Service costs: 52% • Power costs (including wholesale revenue) 18% • Taxes, O&M, Inflation 30% 			
4.b	Baseline major cost items—Capital spending is the driver of debt service component. Over next six years there are extraordinary capital investments that must be made by the utility – Viaduct replacement; Sound Transit expansion; new substation; Boundary dam relicensing. Work on Asset Management Program has also identified additional needed capital investments	<i>6 year pending IN BASELINE—major items :</i>		
	a. Alaskan Way Viaduct Utility relocations	\$136.2M		
	b. Replace obsolete customer information system & billing system	\$13.2M		
	c. Substation automation	\$15.5M		
	d. Recurring infrastructure replacement—poles, cable, transformer, at levels in 2011-2012 budget	\$434.7M		

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	e. Boundary dam generator rebuilds	\$63M		
	f. Other improvements underway at dams	\$62.9M		
	g. Equipment and vehicle replacement	\$53.4M		
	h. Conservation programs (includes deferred O&M)	\$241.3M		
	i. Boundary dam rock damage mitigation	\$18.8M		
5	EFFICIENCIES & BENCHMARKING <ul style="list-style-type: none"> • <i>Has the Utility proposed a reasonable approach to capture efficiencies in the Strategic Planning horizon?</i> • <i>Is the \$18 million target and phasing of additional efficiencies a reasonable strategy for the utility?....</i> <p>General comments?</p> <p>Target level: \$18M baseline expense reduction to be achieved by 2015</p> <p>Recommended additional actions?</p> <p>Recommended reporting/follow up?</p> <p>Other suggestions/comments re: UMS or benchmarking generally?</p>	Once achieved, this reduces baseline cost by equivalent of -0.4% ongoing;		

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6	<p>PREFERRED PATH -- generally (Components presented below in order of core theme area discussion) General comments?</p> <p>6 year rate path defined, will be adjusted every 2 years. Opportunity for longer-term planning, opportunity for policy discussion w/Council.</p> <ul style="list-style-type: none"> • <i>Generally, what are the initiatives beyond the baseline that the RP is in agreement with?</i> • <i>Does the Review Panel support aligning the strategic plan update process with budget and rates over longer time frame?</i> 	Total 4.7% / year avg. rate increase		
7	Core theme area: Better customer experience and rate predictability	0.89% rate impact (<i>\$248M in CIP, and \$13M reduced O&M over 6 years</i>)		
7.a	<p>North Downtown Substation (<i>First new substation build in nearly 30 years</i>)</p> <p>System Reliability, economic development</p>	0.28% \$129M over next 6 yrs		

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7.b	Advanced Metering Infrastructure Aging meter replacement; foundation for improved customer experience <ul style="list-style-type: none"> Should the utility move incrementally now or wait? Or be more aggressive in funding full implementation? Where is most important initial investment? What are key questions to be resolved? 	0.31% <i>\$119M in CIP offset by O&M savings of \$9M over next 6 years,</i>		
7.c	Net Wholesale Revenue “fix” Does Panel support... <ol style="list-style-type: none"> moving towards a more conservative net wholesale revenue estimate to reduce the likelihood of rate surcharges, recognizing this will mean slightly high rates initially? making this transition over a number of years (gradualism) to mitigate the impact on base rates? specifying that customers will receive credits against base rates resulting from over-collections in the RSA Account (currently over collections are to be addressed by the City Council)? 	0.3% in rates on a net basis (inclusive of anticipated RSA credits in later years). 0.8% in rates on a gross basis		

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7.e	Should the Utility incorporate measures to mitigate annual percentage rate changes?			
7.d	<p>Other customer service and reliability initiatives:</p> <p>Process improvements:</p> <ul style="list-style-type: none"> Aligning budgets and rates Ratepayer advocacy Cost of service/rate policies <p>Infrastructure:</p> <ul style="list-style-type: none"> Underground cable replacement, regional transmission upgrades distribution system upgrades streetlight infrastructure Web redevelopment Customer contact center improvement Generator maintenance Streetlight infrastructure Compliance tracking system <p><i>How does panel want to articulate their position on these smaller but cumulatively important initiatives impacting reliability and customer service?</i></p>			

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8	Core theme area: High Performance Workforce/Safety	0.13%		
8.a	Employee safety program	Combined safety and other employee initiatives cost 0.13% on rates annually over planning period (\$25.5M O&M, \$8M in CIP).		
8.b	Attract, retain, train employees <ul style="list-style-type: none"> Competitive pay More training Change workrules, classification system etc. to increase flexibility & efficiency Work with unions to secure changes necessary 			
9	Core theme area: High Performance Organization			
9.a	Efficiencies/Benchmarking – discussed above			
9.b	Other High Performance Organization issues <ul style="list-style-type: none"> Mobile workforce Standards/compatible units Internal management review unit Project management improvement IT security GIS information system Regional leadership IT roadmap investments Performance based reporting 			

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	<ul style="list-style-type: none"> City service level agreements External procurement improvements 			
9.c	Governance/communication/engagement with policy leaders			
10	Core theme area: Continue leadership in conservation and environmental stewardship	Negligible 6 year rate impact.		
10.a	<ul style="list-style-type: none"> Diversify conservation program offerings Reduce environmental liability Address climate change Environmental leadership Electric vehicles 	\$3M O&M, \$10M CIP		
10.b	Do not fund Gorge 2 nd Tunnel			
Part C	ALTERNATIVES to preferred path:			
11	Higher Reliability Alternative Generally doubles the rate of investment in infrastructure repair and replacement.	+0.26% to preferred path	..	
12	Enhanced Green Initiatives Alternative	+0.3% to preferred path		

Issue	Additional Utility Comments
Advanced Metering Infrastructure	<ul style="list-style-type: none">• <i>Has the Utility addressed remaining concerns regarding AMI?</i><ul style="list-style-type: none">○ <i>One approach or different approaches by customer class?</i>○ <i>Experience of other utilities incorporated</i>○ <i>Opportunities to partner with neighboring utilities or SPU?</i>○ <i>Meter replacement plan apart from AMI?</i>○ <i>Plan considers: use of meters, data management, and billing system</i>